There was no import Urea on Government account during 2000-2001. The expenditure incurred on import of Urea of 2.20 lakh MT during 2001-02 was Rs. 5380 per MT. All other major fertilizers are decontrolled and their imports are being freely made on private trade account as such Government does not maintain details regarding expenditure incurred on import of these fertilzers.

Cutting down production cost in fertilizer units

1068. SHRI PREM CHAND GUPTA: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that the so-called subsidy is being given to support the fertilizer units, where the cost of production is higher despite the fact that the higher cost of production is a result of their inefficiency, obsolete plant technology etc.;

(b) whether Government are taking any steps to cut down the cost of production of such units; and

(c) if so, the action Government propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI TAPAN SIKDAR): (a) Urea, being the only fertilzer under statuory price, distribution and movement control, is covered under Retention Price Scheme (RPS) and is eligible for subsidy. Under RPS, the retention prices (cost of production plus 12% post tax return) are fixed unitwise having regard to a combination of various norms and actuals of various cost elements. Operational cost of production of urea units differs not only from unit to unit but also from month to month depending upon, *inter alia*, the health and vintage of the plant, the feedstock used, the levels of capacity utilization, specific consumption and inputs cost. Average retention price of urea produced by urea industry is normally higher than the maximum retail price of urea fixed by the Government under Essential Commodities Act. Hence, subsidy is given on fertilizer produced to meet the excess cost over the maximum retail price fixed by the Government.

(b) and (c) The norms/parameters including consumption norms and plant capacity have been updated recently for the 7th and 8th Pricing Periods. The 7th Pricing Period will cover the period from 1.7.1997 to

31.3.2000 whereas 8th Pricing Period will cover the period from 1.4.2000 to 31.3.2003 or till new pricing policy comes into existence, whichever is earlier. The Government is also in the process of formulating a new pricing policy for urea units keeping in view the recommendations of Expenditure Reforms Commission for replacing the existing unit-specific RPS. The proposed pricing policy would be in the shape of Group Concession Scheme and will aim at greater transparency and uniformity in disbursement of subsidy payments and will induce the urea companies to take cost reduction measures on their own and be competitive.

Retention Price of Fertilizer units

1069. SHRI PREM CHAND GUPTA: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that the retention price being paid to various fertilizer units ranges from Rs. 4356.00 per MT to Rs. 16454.00 per MT, resulting in a subsidy ranging from Rs. 292.00 per MT to Rs. 11804 per MT;

(b) whether units with higher cost of production get more subsidy than the units having lower cost of production; and

(c) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI TAPAN SIKDAR): (a) to (c) Under Retention Price Scheme, the retention prices (cost of production plus 12% post tax return on net worth) of urea manufacturing units are fixed unit wise having regard to a combination of norms and actuals of various cost elements. Operational cost of production of units differs not only from unit to unit but also from month to month depending upon *inter alia*, the health and vintage of the plant, the feedstock used, the levels of capacity utilization, the specific consumption and inputs cost. The average retention price of gas based urea units is less than those of naphtha and Fuel Oil (FO)/Low Sulphur Heavy Stock (LSHS) based units. The main reason for the high cost of production of naphtha and FO/LSHS based units is the high cost of feedstock *i.e.* naphtha and FO/LSHS in comparison to that of natural gas.

Average retention price of urea produced by indigenous industry is